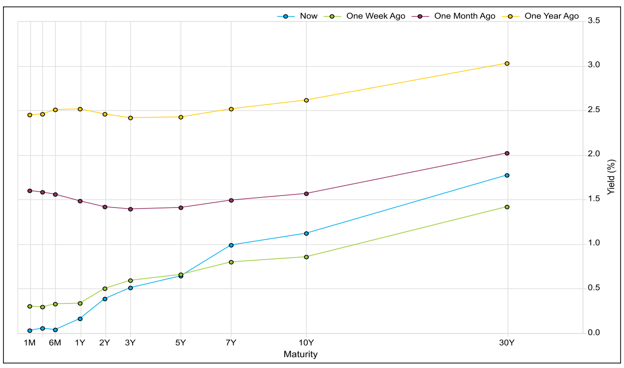
Trustmark Investment Advisors, Inc. *Weekly Portfolio Manager Commentary* March 20, 2020

ECONOMIC OUTLOOK: U.S. Retail Sales were down 0.5% for February, below the forecast of +0.1%. Industrial Production was up 0.6%, as expected for the month. Capacity Utilization is now at 77.0%. The Index of Leading Economic Indicators was up 0.1% for February, after having been up 0.7% for February.

FIXED INCOME: The Federal Reserve rolled out several measures last week to support the economy and re-liquefy financial markets reeling from the shock of an unprecedented economic shutdown. They still have more to do in the opinions of many. Some Fed watchers say the central bank should explicitly expand its purchases of Treasury and mortgage-backed securities and open new targeted lending facilities as it struggles to contain the fallout from measures to bring the liquidity crunch under control. Lou Crandall, chief economist at Wrightson ICAP said, "You don't want to stop too soon. You want to make sure you're safely back to more stable conditions." In the space of a week, the Fed has gone through many of its crisis-era moves in its effort to fight the contagion. It has cut interest rates to zero, launched a minimum $700 billion quantitative easing program and opened emergency lending windows to support commercial paper issuers and money market funds. On Friday, the Fed did venture beyond its established playbook, expanding an emergency financing program for money market funds to include those that buy short-term municipal debt, something it avoided doing during the 2008 financial crisis. The Fed is also under pressure from the financial markets and lawmakers to do even more for cash-crimped borrowers from corporations to state and local governments. Former Fed Vice Chairman Alan Blinder said the central bank should use its existing authority to buy municipal debt outright. Blinder also said Congress should broaden the Fed's authority to buy longer-term debt issued by states and local governments. As noted in the yield graph below, the $3.9 trillion municipal-debt market has nearly cracked in the dash for cash by investors as yields have skyrocketed across the curve. Several Fed governors have stated the "all options are on the table."

Change in Treasury Yield Curve



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo	-0.03%	3 mo	0.54%	3 mo	2.42%	3 mo	3.13%
6 mo	-0.02%	6 mo	0.95%	6 mo	2.40%	6 mo	3.13%
1 yr	0.08%	1 yr	0.70%	1 yr	2.39%	1 yr	3.14%
2 yr	0.31%	2 yr	0.61%	2 yr	2.37%	2 yr	3.09%
5 yr	0.46%	5 yr	1.00%	5 yr	2.75%	5 yr	2.97%
10 yr	0.85%	10 yr	1.60%	10 yr	3.28%	10 yr	3.16%
30 yr	1.42%	30 yr		30 yr	4.05%	30 yr	3.79%

EQUITY: U.S. Equity ends the week mostly lower as the S&P 500 notches another big week of losses, all due to the Coronavirus pandemic. Senate Majority Leader Mitch McConnell released a stimulus plan on Thursday that would provide $208 billion worth of loans for businesses suffering because of said pandemic, specifically $58 billion for the airline industry and $150 billion for other distressed areas of the economy. As a condition of receiving this aid, companies must agree to cap executive compensation at 2019 levels for two years. The stimulus package also currently involves checks of $1,200 per adult and $500 per child with the checks phasing out for those earning more than $90k, though this is still being widely negotiated. Secretary Mnuchin said he believes legislation needs approval by early next week, though there are concerns a quick passage could be difficult due to negotiations.

Energy (-7.84%) finished the week lowest of the sectors as Information Technology (+3.00%) and Communication Services (+2.74%) were two of the leading sectors. The S&P 500 fell -4.30% to finish the week at 2305.

Source: FactSet Research Systems

Index Returns	Last Week	YTD
Dow Jones Industrials	-5.01%	-32.41%
S&P 500 (LCap	-3.38%	-28.34%
S&P 400 (MCap)	-5.64%	-38.75%
Russell 2000 (SCap)	-2.24%	-39.05%
NASDAQ Composite	-0.34%	-23.10%
MSCI EAFE (Int'l)	-0.82%	-32.23%
iShares Real Estate	-9.69%	-34.55%

ASSET ALLOCATION:

Current Sentiment	
Cash	Neutral
Short FI	Neutral
Intermediate FI	Neutral
Inflation-Adjusted FI	Unfavorable
High Yield FI	Neutral
International FI	Unfavorable
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Neutral
Real Estate	Neutral
Commodities	Unfavorable

Summary below - Current stance on most asset classes:

Cash - Neutral weighting now that Fed Funds rate is above 2%. Any exposure is for defensive positioning or liquidity needs.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the outlook for higher interest rates.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain present in floating rate securities.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened considerably and do not warrant exposure to unnecessary credit risk when compared to Treasuries.
International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.
Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.
Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure remains an attractive market capitalization. Mid cap stocks continue to provide the "sweet spot" of market capitalization - large enough to provide stability, but small enough to be more nimble.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. However, a recent divergence of relative strength between small caps and large caps warrants a neutral exposure.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight to neutral weight is recommended.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.
Real Estate - Pricing has stabilized and long-term valuations appear attractive. Real Estate has performed well of late and should continue to be a strong alternative to other asset classes.
Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.